

ID: CCA\_2011092810351637

Number: **201140025**

Release Date: 10/7/2011

Office:

UILC: 6224.02-00

---

**From:**

**Sent:** Wednesday, September 28, 2011 10:35:23 AM

**To:**

**Cc:**

**Subject:** RE: FPAA Review

The adjustments in the FPAA do not need to reflect any settlement amount. These are two totally separate things. Regardless of what is in the FPAA the remaining unsettled partners have until 150 days after the FPAA is issued to request a consistent agreement with the previous signed Form 870's. I.R.C. 6224(c)(2).

The value and basis of the note in the partnership's hands and any partnership bad debt claim with respect to this note, is a partnership item. The limitation of a partner's share of losses to his outside basis under section 704(d), however, has to be determined through an affected item notice of deficiency rather than through the FPAA. See Dial USA v. Commissioner, 95 T.C. 1 (1990); Gustin v. Commissioner, T.C. Memo. 2002-64. Such affected items are not subject to a request for consistent agreement. Treas. Reg. 301.6224(c)-3(b). See also Part II of Form 870-LT which has a consistent settlement disclaimer for affected items which can be separately settled on Part II of this form. Absent such a settlement, in computing the partner's outside basis limitation the parties will be bound by the partnership item components of outside basis determined in the partnership proceeding. See I.R.C. 705 and University Heights v. Commissioner, 97 T.C. 278 (1991). Thus, the partner will be bound by the partnership level determination that the value and basis of the contributed note is zero. Treas. Reg. 301.6231(a)(3)-1(a)(4)(i) and -1(c)(2)(iv) (partnership's carryover basis in contributed property is a partnership item).